

**ESTHERVILLE LINCOLN CENTRAL  
COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITORS' REPORTS  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2009**

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**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**BOARD OF EDUCATION**

**(Before September 2008 Election)**

Molly Anderson	President	2011
Karen Butler	Vice President	2009
Jodie Greig	Board Member	2009
Don Schiltz	Board Member	2011
Mike Karels	Board Member	2011
Nancy Anderson	Board Member	2011
Duane Schnell	Board Member	2009

**(After September 2008 Election)**

Molly Anderson	President	2011
Karen Butler	Vice President	2009
Mike Karels	Board Member	2011
Don Schiltz	Board Member	2011
Jodie Greig	Board Member	2009
Nancy Anderson	Board Member	2011
Duane Schnell	Board Member	2009

**SCHOOL OFFICIALS**

Richard Magnuson	Superintendent	2010
Kate Woods	District Secretary	Indefinite
Kevin Sander	Attorney	Indefinite



Certified Public Accountants

## Independent Auditors' Report

To the Board of Education of the  
Estherville Lincoln Central Community School District

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Estherville Lincoln Central Community School District, Estherville, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Estherville Lincoln Central Community School District as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2010, on our consideration of Estherville Lincoln Central Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information, and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and pages 41 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Estherville Lincoln Central Community School District's basic financial

statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. We did not previously audit, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2005. Other supplementary information included in Schedules 1 through 6, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Williams + Company, P.C.*  
Certified Public Accountants

Spencer, Iowa  
March 4, 2010

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Estherville Lincoln Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009.

We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$12,596,847 in fiscal 2008 to \$13,212,722 in fiscal 2009, while General Fund expenditures increased from \$12,663,738 in fiscal 2008 to \$12,794,944 in fiscal 2009. The District's General Fund balance increased from \$824,452 in fiscal 2008 to \$1,242,230 in fiscal 2009, a 51% increase.
- The increase in General Fund revenues was attributable to an increase in local taxes and state sources. The increase in expenditures was only 1%. The increase in fund balance is attributable to the District levying for cash reserve in anticipation of possible state reductions in funding and categorical funding of \$227,958 not spent in this fiscal year.
- Interest rates dropped and earnings in the General Fund decreased from \$ 128,904 in fiscal year 2008 to \$74,496 in fiscal year 2009.
- Beginning July 1, 2003 the District engaged Dakotacare as third party administrator for its self-insured employee health plan which is maintained in an Internal Service Fund. The net assets in the fund are \$1,261,457 at June 30, 2009 and decreased by 25.5% from year ending June 30, 2008.
- On December 5, 2006, the voters of the Estherville Lincoln Central School District passed a Bond Issue by 81.8% in support of a construction project to build and remodel the district's K-12 school buildings. Total project costs will be over \$ 13 million and be funded by a combination of General Obligation Bonds, Sales Tax Revenue Bonds, Grants and a loan through the Iowa Energy Bank Program. The project broke ground in September 2007 and is expected to be completed by the Fall of 2009.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Estherville Lincoln Central Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Estherville Lincoln Central Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Estherville Lincoln Central Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds, Debt Service Fund, and Permanent Fund. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**GASB 34 Estherville Lincoln Central Community School District Annual Financial Report**

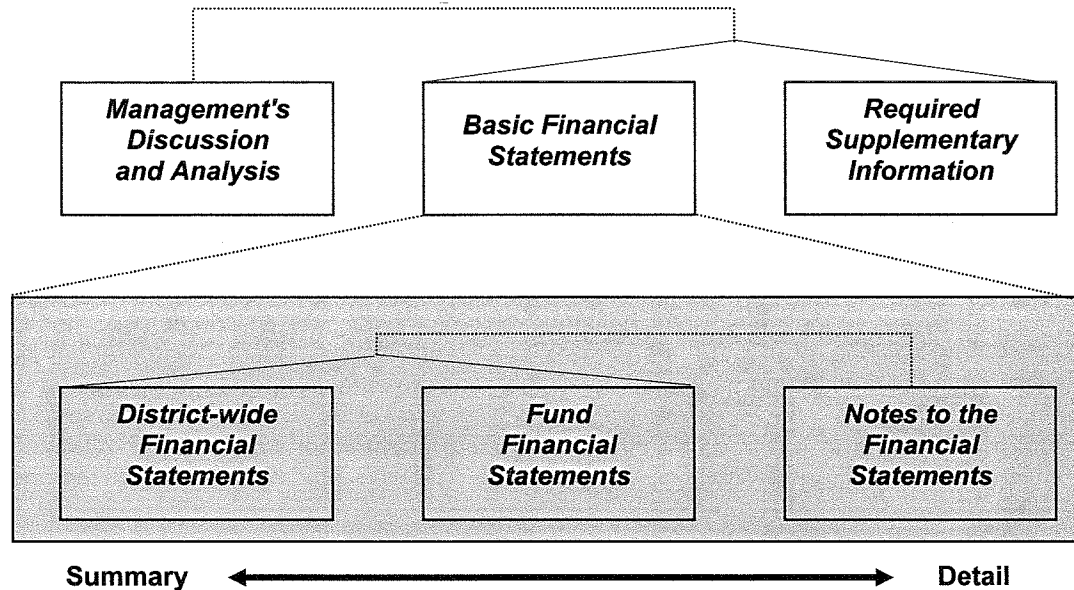


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall



health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program, child care program and Wellness Center are included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Permanent Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has three Enterprise Funds, the School Nutrition Fund, the Child Care Fund, and the Wellness Center Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
  - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
  - Agency Funds – These are funds through which the District administers and accounts for revenue for Post Prom and PAT and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current and Other Assets	\$ 11,201,453	\$ 16,640,437	\$ 1,287,275	\$ 1,213,291	\$ 12,488,728	\$ 17,853,728	-30.0%
Capital Assets	17,132,097	10,316,674	4,785,032	4,941,022	21,917,129	15,257,696	43.6%
Total Assets	28,333,550	26,957,111	6,072,307	6,154,313	34,405,857	33,111,424	3.9%
Long-Term Obligations	11,628,196	11,566,411	-	-	11,628,196	11,566,411	0.5%
Other Liabilities	7,584,169	6,462,483	111,046	141,938	7,695,215	6,604,421	16.5%
Total Liabilities	19,212,365	18,028,894	111,046	141,938	19,323,411	18,170,832	6.3%
Net Assets:							
Invested in Capital Assets							
Net of Related Debt	6,131,919	4,255,720	4,867,382	5,023,372	10,999,301	9,279,092	18.5%
Restricted	386,464	2,399,362	-	-	386,464	2,399,362	-83.9%
Unrestricted	2,602,802	2,273,135	1,093,879	989,003	3,696,681	3,262,138	13.3%
Total Net Assets	\$ 9,121,185	\$ 8,928,217	\$ 5,961,261	\$ 6,012,375	\$ 15,082,446	\$ 14,940,592	0.9%

The District's combined net assets at June 30, 2008 were \$ 14,940,592 and increased to \$ 15,082,446 at June 30, 2009, an improvement of 0.9%. This improvement in net assets came from its governmental activities.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$2,399,362 due to the use of these assets for the building project.

Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements) increased by 13.3%. This increase in unrestricted net assets was mainly due to the near completion of the Middle School Project. Figure A-4 shows the change in net assets for the year ended June 30, 2009.

Figure A-4 shows the changes in net assets.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
<b>Revenues</b>							
<b>Program Revenues</b>							
Charges for Services	\$ 835,268	\$ 894,212	\$ 869,467	\$ 868,705	\$ 1,704,735	\$ 1,762,917	-3.3%
Operating Grants, Contributions, and Restricted Interest	2,170,599	2,246,019	391,904	380,435	2,562,503	2,626,454	-2.4%
Capital Grants, Contributions and Restricted interest	-	-	-	-	-	-	
<b>General Revenues:</b>							
Property Tax	5,116,691	4,997,715	-	-	5,116,691	4,997,715	2.4%
Local Option	790,771	792,297	-	-	790,771	792,297	-0.2%
Unrestricted State Grants	6,359,135	5,831,875	-	-	6,359,135	5,831,875	9.0%
Unrestricted Investment Earnings	241,760	683,192	25,829	40,995	267,589	724,187	-63.0%
Loss on Disposals of Fixed Assets	(59,360)	-	-	-	(59,360)	-	-
Other	44,622	33,283	-	-	44,622	33,283	34.1%
Transfers	(50,000)	(50,000)	50,000	50,000	-	-	-
<b>Total Revenues</b>	<b>15,449,486</b>	<b>15,428,593</b>	<b>1,337,200</b>	<b>1,340,135</b>	<b>16,786,686</b>	<b>16,768,728</b>	<b>0.1%</b>
<b>Program Expenses:</b>							
<b>Governmental Activities</b>							
Instruction	9,944,641	9,456,553	-	-	9,944,641	9,456,553	5.2%
Support Services	4,150,346	3,953,179	-	-	4,150,346	3,953,179	5.0%
Non-instructional programs	-	-	1,388,314	1,381,981	1,388,314	1,381,981	0.5%
Other expenses	1,161,531	1,126,192	-	-	1,161,531	1,126,192	3.1%
<b>Total Expenses</b>	<b>15,256,518</b>	<b>14,535,924</b>	<b>1,388,314</b>	<b>1,381,981</b>	<b>16,644,832</b>	<b>15,917,905</b>	<b>4.6%</b>
<b>Change In Net Assets</b>	<b>\$ 192,968</b>	<b>\$ 892,669</b>	<b>\$ (51,114)</b>	<b>\$ (41,846)</b>	<b>\$ 141,854</b>	<b>\$ 850,823</b>	<b>-83.3%</b>

In fiscal 2009, property tax and unrestricted state grants account for 74% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 94% of the revenue from business type activities.

The District's total revenues were approximately \$16.7 million of which \$15.4 million was for governmental activities and \$1.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a .1% increase in revenues and a 4.6% increase in expenses, due mostly to the activities related to the capital project.

### Governmental Activities

Revenues for governmental activities were \$15,449,486 and expenses were \$15,256,518.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses.

**Figure A-5 – Total and Net Cost of Governmental Activities**

	Total Cost of Services			Net Cost of Services		
	2009	2008	2008-2009	2009	2008	2008-2009
Instruction	\$ 9,944,641	\$ 9,456,553	5.2%	\$ 7,452,169	\$ 6,822,737	9.2%
Support Services	4,150,346	3,653,179	13.6%	4,132,711	3,913,482	5.6%
Other Expenses	1,161,531	1,126,192	3.1%	665,771	659,474	1.0%
Total	\$ 15,256,518	\$ 14,235,924	7.2%	\$ 12,250,651	\$ 11,395,693	7.5%

- The cost financed by users of the District's programs was \$835,268.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,170,599.
- The net cost of governmental activities was financed with \$5,907,462 in property and other taxes and \$6,359,135 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$1,337,200 representing a .2% decrease over the prior year while expenses totaled \$1,388,314 a .5% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The District's business type activities also include the Regional Wellness Center. The Regional Wellness Center had a decrease in Net Assets of \$ 136,952 for the fiscal year ending June 30, 2009.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Estherville Lincoln Central Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$ 2,370,003 a decrease from last year's ending fund balances of \$6,446,004. The decrease was due to the near completion of the capital project.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$ 824,452 to \$ 1,242,230. The restricted amount of the \$ 1,242,230 is \$ 271,565, which will be spent in the upcoming years. Levying for cash reserve has helped to increase this balance.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from a deficit of \$13,032 in fiscal 2008 to a positive of \$5,097 in fiscal 2009. While tax revenues remained approximately the same, the District struggled to maintain its deteriorating facilities and keep up with technology.
- The Capital Projects Fund balance decreased due to the expenditures related to the Middle School project.

- The 2007 Capital Projects Fund was established during fiscal year 2007 to record activities related to the construction and remodeling of a new K-8 facility that will be attached to the present high school. Total cost of project is estimated at over \$ 13 million. The project is expected to be completed at the end of FY 2009.
- The Management Fund showed a net change in fund balance of a negative \$ 480,984. This results from recording the liability for the early retirement program initiated by the board in the Spring of 2009. The property taxes levied in FY 2010 to fund the program are recorded as a receivable but the revenue is deferred.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$ 270,637 at June 30, 2008 to \$366,292 at June 30, 2009 representing an increase of approximately 35%. The District improved its breakfast and school lunch program to provide students with the a-la-carte options with little additional cost to the program. The District has also participated in a summer food program during the last two summers. These changes resulted in an increase in meals served and a related increase in revenue and net assets. They also increased their prices effective with the FY 08 school year.

Regional Wellness Center Fund assets decreased from \$ 5,649,854 at June 30, 2008 to \$ 5,512,902, a decrease of approximately 2.4%. The Regional Wellness Center continues to monitor their balance and look for future funding from the local community and governments.

### **BUDGETARY HIGHLIGHTS**

The Estherville Lincoln Central Community School District did not amend its annual budget during the fiscal year ending June 30, 2009.

The District's revenues were \$ 321,476 less than anticipated, due partially to a 1.5% ATB cut by the state.

Total expenditures were less than budgeted, due primarily to the District's budget for the Capital Projects. The project was delayed and funds were not dispersed as quickly as originally scheduled. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. The District did not exceed its budget in any functional areas for the year ended June 30, 2009.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2009, the District had invested \$22 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 43.50% increase from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$597,839.

The original cost of the District's capital assets was \$28.6 million. Governmental funds account for \$22.9 million, with the remainder of \$5.7 million accounted for in the Proprietary, School Nutrition Fund and Regional Wellness Center Fund.

**Figure A-6 – Capital Assets, Net of Depreciation**

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Land	\$ 493,008	\$ 378,008	\$ 82,350	\$ 82,350	\$ 575,358	\$ 460,358	24.98%
Construction in Progress	12,815,717	6,060,954	-	-	12,815,717	6,060,954	111.45%
Buildings	2,544,970	2,606,657	4,544,239	4,675,921	7,089,209	7,282,578	-2.66%
Improvements	574,858	406,760	-	-	574,858	406,760	41.33%
Equipment, Furniture & Vehicles	703,544	855,045	240,793	265,101	944,337	1,120,146	-15.70%
Total	\$ 17,132,097	\$ 10,307,424	\$ 4,867,382	\$ 5,023,372	\$ 21,999,479	\$ 15,330,796	43.50%

## Long-Term Debt

At June 30, 2009, the District had \$12,117,204 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 1.12% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

On April 9, 2007, the District adopted a resolution providing for the issuance of \$ 8.7 million in General Obligation Bonds and on June 9, 2008 the District adopted a resolution providing for the issuance of \$ 2.8 million in School Infrastructure Local Option Sales and Services Tax Revenue Bonds, Series 2008. The District had total outstanding bonded indebtedness at June 30, 2009 of \$10,965,000.

**Figure A-7 - Outstanding Long-Term Obligations**

	Total School District		Total Change
	June 30,		June 30,
	2009	2008	2008-2009
Revenue Bonds	\$ 2,800,000	\$ 2,800,000	0.00%
General Obligation Bonds	8,165,000	8,450,000	-3.37%
Early Retirement	1,152,204	732,555	57.29%
Total	\$ 12,117,204	\$ 11,982,555	1.12%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- On December 5, 2006, voters of the district approved a bond referendum by over 81% for the construction, demolition and improvement of K-12 buildings throughout the district. The plans provide for all facilities to be located on one campus, this should help the district run more

efficiently and hopefully reduce General Fund operating expenditures. The project was completed in the Fall of 2009.

- The District has experienced declining enrollment for the past seven years and will have to maintain or reduce expenditures, this becomes a difficult task with rising insurance, salary and instructional materials costs.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, at least one bus per year must be replaced. To pay for these buses, the District will use the Physical Plant and Equipment Levy Fund.
- The District will negotiate a new salary agreement with the Education Association during fiscal 2010. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related unspent balance.
- The District has invested funds in Technology, primarily from state funds allocated to the District designated specifically for Technology. The state has eliminated these funds, and without funds available the District must find other resources or let our technology become out dated.
- During the fiscal year 2009 the state issued a 1.5% across the board cut for school districts, this reduced the district's revenues by \$103,000. With the uncertainty of the revenue projections for the State of Iowa during the upcoming fiscal years, the district must anticipate and protect itself from further ATB cuts by reducing expenditures and levying for cash reserve.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kate Woods District Secretary/Treasurer and Business Manager, Estherville Lincoln Central Community School District, 315 N 6<sup>th</sup> Street, Estherville, Iowa, 51334.

## **BASIC FINANCIAL STATEMENTS**



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**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and Pooled Investments	\$ 5,067,900	\$ 1,167,011	\$ 6,234,911
Receivables:			
Property Tax	68,053	-	68,053
Succeeding Year Property Tax	5,080,217	-	5,080,217
Accounts	691	6,850	7,541
Accrued Interest	25,982	1,285	27,267
Due From Other Governments	872,005	11,017	883,022
Inventories	37,049	18,762	55,811
Unamortized Bond Issuance Costs	49,556	-	49,556
Construction in Progress	12,815,717	-	12,815,717
Land	493,008	82,350	575,358
Capital Assets, Net of Accumulated Depreciation	3,823,372	4,785,032	8,608,404
<b>Total Assets</b>	<b>28,333,550</b>	<b>6,072,307</b>	<b>34,405,857</b>
<b>Liabilities</b>			
Accounts Payable	1,018,165	11,081	1,029,246
Salaries and Benefits Payable	89,878	26,331	116,209
Accrued Interest Payable	112,603	-	112,603
Due to Other Governments	466,195	-	466,195
Unearned Revenue	61,933	73,634	135,567
Unamortized Bond Premiums	35,178	-	35,178
Deferred Revenue - Succeeding Year Property Tax	5,080,217	-	5,080,217
Incurred But Not Reported Claims Liability	220,000	-	220,000
Long Term Liabilities:			
Portion Due Within One Year:			
Bonds Payable	555,000	-	555,000
Early Retirement	573,057	-	573,057
Portion Due After One Year:			
Bonds Payable	10,410,000	-	10,410,000
Early Retirement	579,147	-	579,147
Net OPEB Liability	10,992	-	10,992
<b>Total Liabilities</b>	<b>19,212,365</b>	<b>111,046</b>	<b>19,323,411</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	6,131,919	4,867,382	10,999,301
Restricted For:			
Categorical Funding	227,958	-	227,958
Physical Plant and Equipment Levy	5,097	-	5,097
Other Special Revenue Purposes	153,409	-	153,409
Unrestricted	2,602,802	1,093,879	3,696,681
<b>Total Net Assets</b>	<b>\$ 9,121,185</b>	<b>\$ 5,961,261</b>	<b>\$ 15,082,446</b>

See Accompanying Notes to Financial Statements

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction:				
Regular Instruction	\$ 6,178,898	\$ 366,185	\$ 1,080,003	\$ -
Special Instruction	1,856,691	98,375	7,891	-
Other Instruction	1,909,052	370,708	569,310	-
Support Services:				
Student Services	478,763	-	-	-
Instructional Staff Services	617,520	-	17,635	-
Administration Services	1,267,477	-	-	-
Operation and Maintenance	1,356,694	-	-	-
Transportation Services	429,892	-	-	-
Other Expenditures:				
Long-term Debt Interest	460,570	-	-	-
AEA Flowthrough	495,760	-	495,760	-
Depreciation (unallocated)*	205,201	-	-	-
<b>Total Governmental Activities</b>	<b>15,256,518</b>	<b>835,268</b>	<b>2,170,599</b>	<b>-</b>
<b>Business-Type Activities:</b>				
Non-instructional Programs:				
Nutrition Services	533,793	286,345	340,781	-
Childcare Center	195,468	143,901	45,203	-
Wellness Center	659,053	439,221	5,920	-
<b>Total Business-Type Activities</b>	<b>1,388,314</b>	<b>869,467</b>	<b>391,904</b>	<b>-</b>
<b>Total School District</b>	<b>\$ 16,644,832</b>	<b>\$ 1,704,735</b>	<b>\$ 2,562,503</b>	<b>\$ -</b>

**General Revenues:**

Property Tax Levied For:

- General Purposes
- Debt Service
- Management Levy
- Capital Outlay

Statewide Sales and Services Tax

Unrestricted State Grants

Unrestricted Investment Earnings

Loss on Disposal of Assets

Miscellaneous

Transfers

Total General Revenues & Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
\$ (4,732,710)		\$ (4,732,710)
(1,750,425)		(1,750,425)
(969,034)		(969,034)
(478,763)		(478,763)
(599,885)		(599,885)
(1,267,477)		(1,267,477)
(1,356,694)		(1,356,694)
(429,892)		(429,892)
(460,570)		(460,570)
-		-
(205,201)		(205,201)
<u>(12,250,651)</u>		<u>(12,250,651)</u>
-	93,333	93,333
-	(6,364)	(6,364)
-	(213,912)	(213,912)
<u>-</u>	<u>(126,943)</u>	<u>(126,943)</u>
<u>(12,250,651)</u>	<u>(126,943)</u>	<u>(12,377,594)</u>
4,134,427	-	4,134,427
381,716	-	381,716
250,384	-	250,384
350,164	-	350,164
790,771	-	790,771
6,359,135	-	6,359,135
241,760	25,829	267,589
(59,360)	-	(59,360)
44,622	-	44,622
(50,000)	50,000	-
<u>12,443,619</u>	<u>75,829</u>	<u>12,519,448</u>
<u>192,968</u>	<u>(51,114)</u>	<u>141,854</u>
<u>8,928,217</u>	<u>6,012,375</u>	<u>14,940,592</u>
<u>\$ 9,121,185</u>	<u>\$ 5,961,261</u>	<u>\$ 15,082,446</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

	<b>General</b>	<b>Management</b>	<b>2007 Capital Projects</b>	<b>Other Capital Project</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
<b>Assets</b>						
Cash and Pooled Investments	\$ 1,206,460	\$ 306,692	\$ 930,415	\$ 470,871	\$ 661,013	\$ 3,575,451
Receivables:						
Property Tax	53,826	3,711	-	-	10,516	68,053
Succeeding Year Property Tax	3,724,570	599,999	-	-	755,648	5,080,217
Accounts	511	-	-	-	180	691
Accrued Interest	13,427	470	2,380	470	9,235	25,982
Due From Other Governments	705,252	-	-	166,753	-	872,005
Inventories	37,049	-	-	-	-	37,049
Total Assets	<u>5,741,095</u>	<u>910,872</u>	<u>932,795</u>	<u>638,094</u>	<u>1,436,592</u>	<u>9,659,448</u>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts Payable	156,582	735	835,103	5,938	19,807	1,018,165
Salaries and Benefits Payable	89,585	-	-	-	293	89,878
Early Retirement Payable	-	573,057	-	-	-	573,057
Due to Other Governments	466,195	-	-	-	-	466,195
Unearned Revenue	61,933	-	-	-	-	61,933
Deferred Revenue:						
Succeeding Year Property Tax	3,724,570	599,999	-	-	755,648	5,080,217
Total Liabilities	<u>4,498,865</u>	<u>1,173,791</u>	<u>835,103</u>	<u>5,938</u>	<u>775,748</u>	<u>7,289,445</u>
Fund Balances:						
Reserved for:						
Categorical Funding	227,958	-	-	-	-	227,958
Medicaid(10%)	6,558	-	-	-	-	6,558
Inventories	37,049	-	-	-	-	37,049
Debt Service	-	-	-	-	28,338	28,338
Unreserved for:						
General Fund	970,665	-	-	-	-	970,665
Special Revenue Fund	-	(262,919)	-	-	475,234	212,315
Permanent Fund	-	-	-	-	157,272	157,272
Capital Project Fund	-	-	97,692	632,156	-	729,848
Total Fund Balances	<u>1,242,230</u>	<u>(262,919)</u>	<u>97,692</u>	<u>632,156</u>	<u>660,844</u>	<u>2,370,003</u>
Total Liabilities and Fund Balances	<u>\$ 5,741,095</u>	<u>\$ 910,872</u>	<u>\$ 932,795</u>	<u>\$ 638,094</u>	<u>\$ 1,436,592</u>	<u>\$ 9,659,448</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2009**

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Total Fund Balance - Governmental Funds (page 17)		\$ 2,370,003
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		17,132,097
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(112,603)
Internal service funds are used by management to charge the cost of certain activities, such as health insurance, to individual funds. The assets and liabilities of the Internal Service Funds are:		
Current assets	1,492,449	
Accounts payable	<u>(230,992)</u>	1,261,457
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources		49,556
Bond premiums are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources		(35,178)
Long-term liabilities, including bonds payable and the long term portion of early retirement, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.		<u>(11,544,147)</u>
Total Net Assets - Governmental Activities (page 14)		<u><u>\$ 9,121,185</u></u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	General	Management	2007 Capital Projects	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:						
Local Sources:						
Local Tax	\$ 4,134,427	\$ 250,384	\$ -	\$ 790,771	\$ 731,880	\$ 5,907,462
Tuition	407,361	-	-	-	-	407,361
Other	148,809	31,988	121,288	19,767	399,837	721,689
State Sources	7,857,815	208	-	-	-	7,858,023
Federal Sources	664,310	-	-	-	-	664,310
Total Revenues	<u>13,212,722</u>	<u>282,580</u>	<u>121,288</u>	<u>810,538</u>	<u>1,131,717</u>	<u>15,558,845</u>
Expenditures:						
Current:						
Instruction:						
Regular Instruction	5,530,737	392,932	-	-	21,865	5,945,534
Special Instruction	1,804,986	-	-	-	-	1,804,986
Other Instruction	1,483,911	-	-	-	372,435	1,856,346
Support Services:						
Student Services	452,040	-	-	-	-	452,040
Instructional Staff Services	550,369	5,166	-	-	38,870	594,405
Administration Services	1,103,226	99,210	-	-	-	1,202,436
Operation and Maintenance	1,026,865	251,320	-	-	42,104	1,320,289
Transportation Services	347,050	14,936	-	-	68,453	430,439
Other Expenditures:						
Facilities Acquisition	-	-	3,954,192	3,019,181	186,658	7,160,031
Long Term Debt:						
Principal	-	-	-	-	285,000	285,000
Interest and Fiscal Charges	-	-	-	-	407,583	407,583
AEA Flowthrough	495,760	-	-	-	-	495,760
Total Expenditures	<u>12,794,944</u>	<u>763,564</u>	<u>3,954,192</u>	<u>3,019,181</u>	<u>1,422,968</u>	<u>21,954,849</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>417,778</u>	<u>(480,984)</u>	<u>(3,832,904)</u>	<u>(2,208,643)</u>	<u>(291,251)</u>	<u>(6,396,004)</u>
Other Financing Sources (Uses):						
Transfers In	-	-	418,071	-	314,150	732,221
Transfers Out	-	-	-	(728,921)	(53,300)	(782,221)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>418,071</u>	<u>(728,921)</u>	<u>260,850</u>	<u>(50,000)</u>
Net Change in Fund Balances	417,778	(480,984)	(3,414,833)	(2,937,564)	(30,401)	(6,446,004)
Fund Balances - Beginning of Year	<u>824,452</u>	<u>218,065</u>	<u>3,512,525</u>	<u>3,569,720</u>	<u>691,245</u>	<u>8,816,007</u>
Fund Balances (Deficit) - End of Year	<u>\$ 1,242,230</u>	<u>\$ (262,919)</u>	<u>\$ 97,692</u>	<u>\$ 632,156</u>	<u>\$ 660,844</u>	<u>\$ 2,370,003</u>

See Accompanying Notes to Financial Statements

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental Funds (page 19) \$ (6,446,004)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	7,306,689	
Depreciation expense	<u>(418,905)</u>	6,887,784

Bond issuance costs, premiums, discounts and similar items are deferred and amortized in the Statement of Activities. (1,652)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 285,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (51,335)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported expenditures in the governmental funds.

Early retirement 22,264

Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net assets on the statement of activities. (72,361)

Internal service funds are used by management to charge the costs of health insurance and benefits to individual funds. The net revenue of the Internal Services Funds is reported with governmental activities net of the amount allocated to business-type activities.

Change in net assets (430,728)

Change in Net Assets - Governmental Activities (page 16) \$ 192,968



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2009**

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>School Nutrition</b>	<b>Childcare Center</b>	<b>Wellness Center</b>	<b>Total</b>	
<b>Assets</b>					
Current Assets:					
Cash and Pooled Investments	\$ 261,547	\$ 93,596	\$ 811,868	\$ 1,167,011	\$ 1,492,449
Accounts Receivable	-	-	6,850	6,850	-
Accrued Interest Receivable	238	238	809	1,285	-
Due from Other Governments	9,439	1,578	-	11,017	-
Inventories	18,762	-	-	18,762	-
Total Current Assets	289,986	95,412	819,527	1,204,925	1,492,449
Noncurrent Assets:					
Land	-	-	82,350	82,350	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	76,845	2,804	4,705,383	4,785,032	-
Total Noncurrent Assets	76,845	2,804	4,787,733	4,867,382	-
<b>Total Assets</b>	<b>366,831</b>	<b>98,216</b>	<b>5,607,260</b>	<b>6,072,307</b>	<b>1,492,449</b>
<b>Liabilities and Fund Equity</b>					
Accounts Payable	539	1,105	9,437	11,081	-
Accrued Payroll	-	15,044	11,287	26,331	-
Unearned Revenues	-	-	73,634	73,634	-
Incurred But Not Reported Claims Liability	-	-	-	-	220,000
Net OPEB Liability	-	-	-	-	10,992
<b>Total Liabilities</b>	<b>539</b>	<b>16,149</b>	<b>94,358</b>	<b>111,046</b>	<b>230,992</b>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt	76,845	2,804	4,787,733	4,867,382	-
Unrestricted	289,447	79,263	725,169	1,093,879	1,261,457
<b>Total Net Assets</b>	<b>\$ 366,292</b>	<b>\$ 82,067</b>	<b>\$ 5,512,902</b>	<b>\$ 5,961,261</b>	<b>\$ 1,261,457</b>

See Accompanying Notes to Financial Statements

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Business-Type Activities -Enterprise Funds</b>				<b>Governmental Activities Internal Service Funds</b>
	<b>School Nutrition</b>	<b>Childcare Center</b>	<b>Wellness Center</b>	<b>Total</b>	
Operating Revenues:					
Charges for Services	\$ 278,111	\$ 143,901	\$ 438,478	\$ 860,490	\$ 1,690,676
Miscellaneous	8,234	-	5,614	13,848	86,204
Total Operating Revenue	<u>286,345</u>	<u>143,901</u>	<u>444,092</u>	<u>874,338</u>	<u>1,776,880</u>
Operating Expenses:					
Non-Instructional Programs:					
Food Service Operations:					
Salaries and Benefits	234,302	-	-	234,302	-
Food	260,072	-	-	260,072	-
Purchased Services	8,015	-	-	8,015	-
Supplies	16,250	-	-	16,250	-
Depreciation	15,154	-	-	15,154	-
Community Service Operations:					
Salaries and Benefits	-	171,747	276,234	447,981	-
Purchased Services	-	-	44,191	44,191	-
Supplies	-	21,897	164,964	186,861	-
Depreciation	-	873	162,904	163,777	-
Other	-	951	10,760	11,711	-
Other Enterprise Operations:					
Claims Expense	-	-	-	-	2,193,855
Administrative Fees and Other	-	-	-	-	13,753
Total Operating Expense	<u>533,793</u>	<u>195,468</u>	<u>659,053</u>	<u>1,388,314</u>	<u>2,207,608</u>
Operating Income(Loss)	<u>(247,448)</u>	<u>(51,567)</u>	<u>(214,961)</u>	<u>(513,976)</u>	<u>(430,728)</u>
Non-Operating Revenues:					
Interest Income	2,322	1,418	22,089	25,829	-
Contributions	-	8,374	5,920	14,294	-
State Sources	6,510	-	-	6,510	-
Federal Sources	334,271	31,958	-	366,229	-
Total Non-Operating Revenue	<u>343,103</u>	<u>41,750</u>	<u>28,009</u>	<u>412,862</u>	<u>-</u>
Change in Net Assets Before Transfers	95,655	(9,817)	(186,952)	(101,114)	(430,728)
Transfers	-	-	50,000	50,000	-
Change in Net Assets After Transfers	<u>95,655</u>	<u>(9,817)</u>	<u>(136,952)</u>	<u>(51,114)</u>	<u>(430,728)</u>
Net Assets - Beginning of Year	<u>270,637</u>	<u>91,884</u>	<u>5,649,854</u>	<u>6,012,375</u>	<u>1,692,185</u>
Net Assets - End of Year	<u>\$ 366,292</u>	<u>\$ 82,067</u>	<u>\$ 5,512,902</u>	<u>\$ 5,961,261</u>	<u>\$ 1,261,457</u>

See Accompanying Notes to Financial Statements

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Business Type Activities: Enterprise Funds</b>	
	<b>School Nutrition</b>	<b>Childcare Center</b>
<b>Cash Flows From Operating Activities</b>		
Cash Received from Customers	\$ 287,556	\$ 127,322
Other Operating Receipts	8,234	-
Cash Payments for Goods and Services	(248,321)	(22,225)
Cash Payments for Salaries and Benefits	(239,082)	(171,424)
Net Cash (Used) by Operating Activities	(191,613)	(66,327)
<b>Cash Flows From Non-Capital Financing Activities</b>		
State Grants Received	6,510	-
Federal Grants Received	287,333	31,958
Net Cash Provided by Non-Capital Financing Activities	293,843	31,958
<b>Cash Flows From Capital and Related Financing Activities</b>		
Transfers and Contributions	-	8,374
Acquisition of Capital Assets	(8,068)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(8,068)	8,374
<b>Cash Flows From Investing Activities:</b>		
Interest on Investments	2,084	1,180
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	96,246	(24,815)
<b>Cash and Cash Equivalents At Beginning of Year</b>	165,301	118,411
<b>Cash and Cash Equivalents At End of Year</b>	<u>\$ 261,547</u>	<u>\$ 93,596</u>
<b>Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:</b>		
(Loss) from Operations	\$ (247,448)	\$ (51,567)
Adjustments to Reconcile Operating Income (Loss) to Net Cash (Used) by Operating Activities:		
Depreciation	15,154	873
Commodities Used	46,938	-
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:		
Accounts Receivable	-	-
Due from Other Governments	9,445	(1,450)
Inventories	(4,275)	-
Accounts Payable	(6,647)	621
Accrued Salaries and Benefits	(4,780)	323
Deferred Revenue	-	(15,127)
<b>Net Cash (Used) by Operating Activities</b>	<u>\$ (191,613)</u>	<u>\$ (66,327)</u>
<b>Non-Cash Investing, Capital and Financing Activities:</b>		
Federal Food Commodities Received	<u>\$ 46,938</u>	

See Accompanying Notes to Financial Statements

Business Type Activities: Enterprise Funds		Governmental Activities: Internal Service Funds
Wellness Center	Total	
\$ 460,938	\$ 875,816	\$ 1,776,880
5,614	13,848	-
(222,247)	(492,793)	(2,068,494)
(276,562)	(687,068)	-
<u>(32,257)</u>	<u>(290,197)</u>	<u>(291,614)</u>
-	6,510	-
-	319,291	-
-	<u>645,092</u>	-
55,920	64,294	-
(14,873)	(22,941)	-
<u>41,047</u>	<u>41,353</u>	-
24,636	27,900	-
33,426	424,148	(291,614)
<u>778,442</u>	<u>1,062,154</u>	<u>1,784,063</u>
<u>\$ 811,868</u>	<u>\$ 1,167,011</u>	<u>\$ 1,492,449</u>
\$ (214,961)	\$ (513,976)	\$ (430,728)
162,904	178,931	-
-	46,938	-
25,081	25,081	-
-	7,995	-
-	(4,275)	-
(2,332)	(8,358)	139,114
(328)	(4,785)	-
<u>(2,621)</u>	<u>(17,748)</u>	-
<u>\$ (32,257)</u>	<u>\$ (290,197)</u>	<u>\$ (291,614)</u>

See Accompanying Notes to Financial Statements

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 JUNE 30, 2009

	Private Purpose Trust Scholarship
<b>Assets</b>	
Cash and Pooled Investments	\$ 516
<b>Total Assets</b>	<u>516</u>
 <b>Net Assets</b>	
Unrestricted	516
<b>Total Net Assets</b>	<u>\$ 516</u>

See Accompanying Notes to Financial Statements

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Private Purpose Trust Scholarship</u>
<b>Additions:</b>	
Local Sources:	
Gifts and Contributions	\$ 1,275
Interest Income	37
Total Additions	<u>1,312</u>
<b>Deductions:</b>	
Support Services:	
Scholarships Awarded	<u>7,460</u>
Change in Net Assets Before Transfer	(6,148)
Transfer	<u>6,000</u>
Change in Net Assets After Transfer	(148)
<b>Net Assets Beginning of Year</b>	<u>664</u>
<b>Net Assets End of Year</b>	<u><u>\$ 516</u></u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AGENCY FUND  
JUNE 30, 2009**

**Assets**

Cash and Pooled Investments	\$ 39,146
<b>Total Assets</b>	<u>39,146</u>

**Liabilities**

Other Payables	<u>39,146</u>
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**Net Assets**

<u>\$ -</u>
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See Accompanying Notes to Financial Statements

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Estherville Lincoln Central Community School District was formed when voters of both the Estherville and Lincoln Central Community School Districts approved a merger as of July 1, 1997. The merger was accomplished by splitting the Lincoln Central School District with a neighboring school.

The Estherville Lincoln Central Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Estherville and Gruver, Iowa, the predominate agricultural territory in Emmet County and portions of Dickinson County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

**A. Reporting Entity**

For financial reporting purposes, Estherville Lincoln Central Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Estherville Lincoln Central Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

**B. Basis of Presentation**

District-wide financial statements - The statement of net assets and the statement of activities report information on all of the non fiduciary activities of the District. For the most part, the effect of inter fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's non fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- ***Invested in Capital Assets, Net of Related Debt*** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets
- ***Restricted Net Assets*** result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted Net Assets*** consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non major governmental funds.

The District reports the following major governmental funds:

- The **General Fund** is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.
- The **Management Fund** is used to account for a property tax levy per thousand dollars of assessed valuation in the District for insurance premiums and unemployment compensation insurance claims.
- The **2007 Capital Projects Fund** is utilized to account for the construction of the new middle school and other renovations.
- The **Other Capital Projects Fund** is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

- The **School Nutrition Fund** is used to account for the food service operations of the District.
- The **Childcare Center Fund** is used to account for the childcare service operations of the District.
- The **Wellness Center Fund** is used to account for the Wellness Center operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund is the RWC Scholarship/Endowment fund. Funds are donated by private individuals and are to be used for memberships at the Regional Wellness Center operated by the District.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus and Basis of Accounting**

The District-wide financial statements and the proprietary fund financial statements are reported using the “economic resources measurement focus”. The District-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of governmental funds are recorded as expenses when consumed rather than when purchased or received. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 2,000
Buildings	\$ 1,000
Improvements other than buildings	\$ 1,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 1,000

Property, furniture and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20 - 50 years
Furniture and equipment	5 - 15 Years

Salaries and Benefits Payable - Payroll and related expenditures for non-certified staff corresponding to the current school year, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter, to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end, excluding grant receivables.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Obligations - In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**E. Budgeting and Budgetary Control**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009 disbursements did not exceed the amounts budgeted in any category.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 2 – CASH AND POOLED INVESTMENTS**

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$313,976 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The District's investment policy limits the investment of operating funds (funds expected to be expended in the current year budget year or within 15 months of receipt) in instruments that mature within 397 days. Fund not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the District.

Credit Risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

**Note 3 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2009 is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 378,008	\$ 115,000		\$ 493,008
Construction in Progress	6,060,955	6,754,762	-	12,815,717
Total Capital Assets Not Being Depreciated	6,438,963	6,869,762	-	13,308,725
Capital Assets Being Depreciated:				
Land Improvements	717,628	203,191	-	920,819
Buildings	5,707,985	104,561	122,997	5,689,549
Equipment	3,007,896	129,175	-	3,137,071
Total Capital Assets Being Depreciated	9,433,509	436,927	122,997	9,747,439
Less: Accumulated Depreciation for:				
Land Improvements	310,898	35,063		345,961
Buildings	3,101,326	93,889	50,636	3,144,579
Equipment	2,143,571	289,956	-	2,433,527
Total Accumulated Depreciation	5,555,795	418,908	50,636	5,924,067
Total Capital Assets Being Depreciated, Net	3,877,714	18,019	72,361	3,823,372
Governmental Activities Capital Assets, Net	<u>\$ 10,316,677</u>	<u>\$ 6,887,781</u>	<u>\$ 72,361</u>	<u>\$17,132,097</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 3 – CAPITAL ASSETS (Continued)**

Capital Assets Not Being Depreciated:

Regional Wellness Center:

Land	\$ 82,350	\$ -	\$ -	\$ 82,350
Total Capital Assets Not Being Depreciated	<u>82,350</u>	<u>-</u>	<u>-</u>	<u>82,350</u>

Capital Assets Being Depreciated:

Nutrition Fund				
Equipment	142,002	8,068	-	150,070
Childcare Fund				
Equipment	4,364	-	-	4,364
Regional Wellness Center:				
Buildings	5,267,296	-	-	5,267,296
Equipment	298,348	14,873	-	313,221
	<u>5,565,644</u>	<u>14,873</u>	<u>-</u>	<u>5,580,517</u>
			-	
Total Capital Assets Being Depreciated	<u>5,712,010</u>	<u>22,941</u>	<u>-</u>	<u>5,734,951</u>

Less Accumulated Depreciation For:

Nutrition Fund				
Equipment	58,070	15,154	-	73,224
Childcare Fund				
Equipment	688	873	-	1,561
Regional Wellness Center				
Buildings	591,375	131,682	-	723,057
Equipment	120,855	31,222	-	152,077
	<u>712,230</u>	<u>162,904</u>	<u>-</u>	<u>875,134</u>

Total Accumulated Depreciation	<u>770,988</u>	<u>178,931</u>	<u>-</u>	<u>949,919</u>
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Total Capital Assets Being Depreciated, Net	<u>4,941,022</u>	<u>(155,990)</u>	<u>-</u>	<u>4,785,032</u>
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Business-Type Activity Capital Assets, Net	<u>\$ 5,023,372</u>	<u>\$ (155,990)</u>	<u>\$ -</u>	<u>\$ 4,867,382</u>
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**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 3 – CAPITAL ASSETS (Continued)**

Depreciation expense was charged by the District as follows:

**Governmental Activities**

Instruction:	
Regular	\$ 66,809
Support Services	
Student Services	3,597
Instructional Staff	68,337
Administration	4,270
Operation and Maintenance	7,660
Transportation	63,035
	<u>146,899</u>
Unallocated Depreciation	<u>205,200</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 418,908</u></u>

**Business-type Activities**

Food Services	\$ 15,154
Childcare Center	873
Wellness Center	162,904
	<u><u>\$ 178,931</u></u>

<b>Reconciliation of Investments in Capital Assets:</b>	<b>Governmental Activities</b>	<b>Business-type Activity</b>
Land	\$ 493,008	\$ 82,350
Capital Assets (net of accumulated depreciation)	3,823,372	4,785,032
Construction in Progress	12,815,717	-
Less: Bonds Payable	10,965,000	-
Unamortized Bond Premiums	<u>35,178</u>	<u>-</u>
Investment in Capital Assets, Net of Related Debt	<u><u>\$ 6,131,919</u></u>	<u><u>\$ 4,867,382</u></u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 4 – INTER FUND TRANSFERS**

The detail of inter fund transfers for the year ended June 30, 2009 is as follows:

<b>Transfer To</b>	<b>Transfer From</b>	<b>Amount</b>
Nonmajor Inman Trust	Nonmajor Governmental: Sanborn Endowment	\$ 3,300
2007 Capital Projects	Capital Projects Fund	418,071
Nonmajor Governmental: Debt Service	Capital Projects Fund	310,850
Regional Wellness Center	Nonmajor Governmental: Inman Trust	50,000
		<u>\$ 782,221</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**Note 5 – LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
General					
Obligation Bonds	\$ 8,450,000	\$ -	\$ 285,000	\$ 8,165,000	\$ 305,000
Sales Tax	2,800,000	-	-	2,800,000	250,000
Revenue Bonds					
Early Retirement	732,555	550,794	131,145	1,152,204	573,057
Net OPEB Liability	<u>-</u>	<u>10,992</u>	<u>-</u>	<u>10,992</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 11,982,555</u>	<u>\$ 561,786</u>	<u>\$ 416,145</u>	<u>\$ 12,128,196</u>	<u>\$ 1,128,057</u>

**Bonds Payable**

The District adopted a resolution, on June 9, 2008, providing for the issuance of \$2,800,000 in School Infrastructure Local Option Sales and Services Tax Revenue Bonds, Series 2008. As part of the resolution, the District will deposit all local option tax revenue into the local option sales and services tax revenue fund for the payment and interest on the bonds.



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 5 – LONG-TERM LIABILITIES (Continued)**

Details of the District's June 30, 2009 local option tax revenue bonded indebtedness are as follows:

<b>Year Ending June 30</b>	<b>Interest Rates</b>	<b>Bond Issue of June 9, 2008 Principal</b>	<b>Interest</b>
2010	4.05	\$ 250,000	\$ 113,400
2011	4.05	255,000	108,338
2012	4.05	250,000	98,111
2013	4.05	260,000	87,885
2014	4.05	270,000	77,557
2015-2019	4.05	1,515,000	225,282
	<b>Total</b>	<b>\$ 2,800,000</b>	<b>\$ 710,573</b>

The District adopted a resolution on April 9, 2007, providing for the issuance of \$ 8.7 million in General Obligation School Bonds, Series 2007. Details of the District's June 30, 2009 general obligation bonds are as follows:

<b>Year Ending June 30</b>	<b>Interest Rates</b>	<b>Bond Issue of April 9, 2007 Principal</b>	<b>Interest</b>
2010	4.00	\$ 305,000	\$ 335,418
2011	4.00	315,000	323,218
2012	4.00	335,000	310,618
2013	4.00	350,000	297,218
2014	4.00	365,000	283,218
2015-2019	4.00	2,100,000	1,161,890
2020-2024	4.00	2,580,000	684,090
2025-2027	4.00	1,815,000	148,752
	<b>Total</b>	<b>\$ 8,165,000</b>	<b>\$ 3,544,122</b>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 5 – LONG-TERM LIABILITIES (Continued)**

**Early Retirement**

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The District will provide insurance premium assistance to age 65 for the retiree. The amount of the assistance is the single insurance premium rate at the time of the retiree's last year of employment. Early retirement benefits paid during the year ended June 30, 2009, totaled \$131,145. There were 26 retired individuals receiving benefits at June 30, 2009.

**Note 6 – PENSION AND RETIREMENT BENEFITS**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered payroll for the year ended June 30, 2009. Plan members were required to contribute 3.70% of their annual salary and the District was required to contribute 6.05% and 5.75% of annual covered payroll for the years ended June 30, 2008 and 2007. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$511,514, \$474,107, and \$426,364, respectively, equal to the required contributions for each year.

**Note 7 – OTHER POST EMPLOYMENT BENEFITS**

During fiscal 2009, the District adopted the provisions of GASB 45 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions". The major change under GASB 45 is to attribute the cost of post-employment benefits to the time during which the employee is working for the employer. Accordingly, a prospective liability is recorded at June 30, 2009 for a Post-Employment Benefit Obligation as determined by an actuarial calculation.

*Plan Description.* An employee who has a minimum of 10 years of service and age 55 are provided single coverage health insurance until they reach the age of 65. Premiums are based on the full active employee premium rate.

*Funding Policy.* The District currently finances the retiree benefit plan on a pay-as-you-go basis.

*Annual OPEB Cost and NET OPEB Obligation.* The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 7 – OTHER POST EMPLOYMENT BENEFITS (Continued)**

The following table shows the components of the District's annual OPEB for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution	\$ 137,891
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (Expense)	<u>137,891</u>
Contributions made	<u>(126,899)</u>
Increase in net OPEB obligation	10,992
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u><u>\$ 10,992</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2009	\$ 137,891	92.03%	\$ 10,992

*Funded Status and Funding Progress.* The funded status of the plan as of December 31, 2008 was as follows:

Actuarial accrued liability (AAL)	\$ 1,409,340
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,409,340</u>
Funded ratio (actuarial value of plan assets/AAL)	-
Covered payroll (active members)	\$ 5,372,556
UAAL as a percentage of covered payroll	26.23%

*Actuarial Methods and Assumptions.* Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point and do not explicitly reflect the potential effect of legal or contractual funding limitation. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 7 – OTHER POST EMPLOYMENT BENEFITS (Continued)**

In the June 30, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 2.5% interest discount rate and an annual medical healthcare cost trend rate of 6% select trend and a 6% ultimate trend. The participation assumed is 80% for non-Certified employees and 80% for all other employees. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 8 – RISK MANAGEMENT**

Estherville Lincoln Central Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 9 – HEALTH CARE COVERAGE**

The District maintains the Insurance Internal Service Fund to account for the District's employee health care coverage program which is self-insured by the District beginning July 1, 2003. Aggregate stop-loss insurance and specific stop-loss insurance are covered through third-party insurance policies. Revenues are recognized from payroll deduction and District contributions. As of June 30, 2009, an estimated liability of \$220,000 has been recorded, which represents estimated claims incurred but not yet reported.

Changes in the medical claims liability amounts were:

Liability, Beginning of Year	\$ 91,878
Current Year Claims and Changes in Estimates	1,914,738
Claim Payments	<u>(1,786,616)</u>
Liability, End of Year	<u>\$ 220,000</u>

**Note 10 – AREA EDUCATION AGENCY**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$495,760 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 11 - SUBSEQUENT EVENT**

In November of 2009 the District issued General Obligation School Capital Loan Notes in the amount of \$525,000.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2009**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
<b>Receipts:</b>			
Local Sources:			
Local Taxes	\$ 5,907,462	\$ -	\$ 5,907,462
Tuition	407,361	-	407,361
Other	721,689	914,461	1,636,150
State Sources	7,858,023	6,510	7,864,533
Federal Sources	664,310	366,229	1,030,539
Total Receipts	<u>15,558,845</u>	<u>1,287,200</u>	<u>16,846,045</u>
<b>Expenditures:</b>			
Instruction	9,606,866	-	9,606,866
Support Services	3,999,609	-	3,999,609
Non-instructional Programs	-	1,388,314	1,388,314
Other Expenditures	8,348,374	-	8,348,374
Total Expenditures	<u>21,954,849</u>	<u>1,388,314</u>	<u>23,343,163</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(6,396,004)	(101,114)	(6,497,118)
<b>Other Financing Sources (Uses):</b>			
Long Term Debt Proceeds	-	-	-
Transfers In	732,221	50,000	782,221
Transfers Out	(782,221)	-	(782,221)
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>50,000</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(6,446,004)	(51,114)	(6,497,118)
<b>Fund Balance at Beginning of Year</b>	<u>8,816,007</u>	<u>6,012,375</u>	<u>14,828,382</u>
<b>Fund Balance at End of Year</b>	<u>\$ 2,370,003</u>	<u>\$ 5,961,261</u>	<u>\$ 8,331,264</u>

<u>Budgeted Amounts Original</u>	<u>Final to Actual Variance</u>
\$ 5,068,808	\$ 838,654
512,000	(104,639)
2,342,800	(706,650)
8,173,181	(308,648)
<u>1,070,732</u>	<u>(40,193)</u>
17,167,521	(321,476)
10,217,255	610,389
4,615,000	615,391
1,608,575	220,261
<u>11,503,860</u>	<u>3,155,486</u>
27,944,690	4,601,527
(10,777,169)	17,274,287
3,237,000	(3,237,000)
664,288	117,933
<u>(664,288)</u>	<u>(117,933)</u>
3,237,000	(3,237,000)
(7,540,169)	14,037,287
<u>14,828,382</u>	<u>-</u>
<u>\$ 7,288,213</u>	<u>\$ 1,043,051</u>

See Accompanying Independent Auditor's Report



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2009**

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards Board* Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, there were no budget amendments.

During the year ended June 30, 2009, the District did not exceed the amounts budgeted in any of the four major functions and did not exceed its General Fund unspent authorized budget.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
YEAR ENDED JUNE 30, 2009**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2008	\$ -	\$ 1,409,340	\$ 1,409,340	0%	\$5,372,556	26.23%

See Accompanying Independent Auditor's Report

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**OTHER SUPPLEMENTARY  
INFORMATION**

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
GOVERNMENTAL NONMAJOR FUNDS  
JUNE 30, 2009**

	<b>Student Activity</b>	<b>Physical Plant and Equipment</b>	<b>Debt Service</b>	<b>Inman Trust</b>	<b>Sanborn Endowment</b>	<b>Total</b>
<b>Assets</b>						
Cash and Pooled Investments	\$ 152,186	\$ 19,670	\$ 22,853	\$ 313,974	\$ 152,330	\$ 661,013
Receivables:						
Property Tax	-	5,031	5,485	-	-	10,516
Succeeding Year Property Tax	-	361,514	394,134	-	-	755,648
Accounts	180	-	-	-	-	180
Accrued Interest	1,539	-	-	2,754	4,942	9,235
<b>Total Assets</b>	<u>153,905</u>	<u>386,215</u>	<u>422,472</u>	<u>316,728</u>	<u>157,272</u>	<u>1,436,592</u>
<b>Liabilities</b>						
Accounts Payable	203	19,604	-	-	-	19,807
Salaries and Benefits Payable	293	-	-	-	-	293
Deferred Revenue:						
Succeeding Year Property Tax	-	361,514	394,134	-	-	755,648
<b>Total Liabilities</b>	<u>496</u>	<u>381,118</u>	<u>394,134</u>	<u>-</u>	<u>-</u>	<u>775,748</u>
<b>Fund Balance</b>						
Reserved for Debt Service	-	-	28,338	-	-	28,338
Unreserved for:						
Special Revenue Fund	153,409	5,097	-	316,728	-	475,234
Permanent Fund	-	-	-	-	157,272	157,272
<b>Total Fund Balance</b>	<u>153,409</u>	<u>5,097</u>	<u>28,338</u>	<u>316,728</u>	<u>157,272</u>	<u>660,844</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 153,905</u>	<u>\$ 386,215</u>	<u>\$ 422,472</u>	<u>\$ 316,728</u>	<u>\$ 157,272</u>	<u>\$ 1,436,592</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL NONMAJOR FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Student Activity	Physical Plant and Equipment	Debt Service	Inman Trust	Sanborn Endowment	Total
Revenues:						
Local Sources:						
Local tax	\$ -	\$ 350,164	\$ 381,716	\$ -	\$ -	\$ 731,880
Other	358,816	25,515	622	9,371	5,513	399,837
Total Revenues	<u>358,816</u>	<u>375,679</u>	<u>382,338</u>	<u>9,371</u>	<u>5,513</u>	<u>1,131,717</u>
Expenditures:						
Current:						
Instruction:						
Regular Instruction	-	18,565	-	3,300	-	21,865
Other Instruction	369,535	2,900	-	-	-	372,435
Support Services:						
Instructional Staff Services	-	38,870	-	-	-	38,870
Operation and Maintenance	-	42,104	-	-	-	42,104
Transportation Services	-	68,453	-	-	-	68,453
Other Expenditures:						
Facilities Acquisition	-	186,658	-	-	-	186,658
Long Term Debt:						
Principal	-	-	285,000	-	-	285,000
Interest and Fiscal Charges	-	-	407,583	-	-	407,583
Total Expenditures	<u>369,535</u>	<u>357,550</u>	<u>692,583</u>	<u>3,300</u>	<u>-</u>	<u>1,422,968</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(10,719)</u>	<u>18,129</u>	<u>(310,245)</u>	<u>6,071</u>	<u>5,513</u>	<u>(291,251)</u>
Other Financing Sources (Uses):						
Transfers In	-	-	310,850	3,300	-	314,150
Transfers Out	-	-	-	(50,000)	(3,300)	(53,300)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>310,850</u>	<u>(46,700)</u>	<u>(3,300)</u>	<u>264,150</u>
Net Change in Fund Balances	<u>(10,719)</u>	<u>18,129</u>	<u>605</u>	<u>(40,629)</u>	<u>2,213</u>	<u>(30,401)</u>
Fund Balances - Beginning of Year	<u>164,128</u>	<u>(13,032)</u>	<u>27,733</u>	<u>357,357</u>	<u>155,059</u>	<u>691,245</u>
Fund Balances - End of year	<u>\$ 153,409</u>	<u>\$ 5,097</u>	<u>\$ 28,338</u>	<u>\$ 316,728</u>	<u>\$ 157,272</u>	<u>\$ 660,844</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE YEAR ENDED JUNE 30, 2009**

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
<b>Assets</b>				
Cash	\$ 33,760	\$ 41,676	\$ 36,290	\$ 39,146
<b>Liabilities</b>				
Other Payables	\$ 33,760	\$ 41,676	\$ 36,290	\$ 39,146

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2009**

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary	\$ 10,875	27,189	27,239	\$ 10,825
High School Activity	67,967	75,765	73,888	69,844
Athletics	39,002	198,822	201,292	36,532
Middle School	46,284	57,040	67,116	36,208
Total	<u>\$ 164,128</u>	<u>\$ 358,816</u>	<u>\$ 369,535</u>	<u>\$ 153,409</u>



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**COMPARISON OF TAXES AND INTERGOVERNMENTAL REVENUES AND RECEIPTS**  
**ALL GOVERNMENTAL FUNDS**  
**FOR THE YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004**

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
<b>Revenues:</b>						
Local Sources:						
Local Tax	\$ 5,907,462	\$ 5,790,012	\$ 5,395,697	\$ 4,869,098	\$ 4,515,401	\$ 5,139,351
Tuition	407,361	430,169	438,187	486,143	1,121,539	432,742
Other	721,689	1,206,195	773,995	677,697	641,058	2,543,339
State Sources	7,858,023	7,403,364	6,925,705	6,592,251	6,566,433	6,400,290
Federal Sources	664,310	650,712	714,868	794,636	1,270,901	1,292,861
Total	<u>15,558,845</u>	<u>15,480,452</u>	<u>14,248,452</u>	<u>13,419,825</u>	<u>14,115,332</u>	<u>15,808,583</u>
<b>Expenditures:</b>						
Instruction:						
Regular Instruction	5,945,534	5,783,701	5,482,880	4,854,333	5,005,459	5,331,064
Special Instruction	1,804,986	2,294,466	2,247,870	2,582,724	2,522,207	2,584,254
Other Instruction	1,856,346	1,158,467	1,121,639	1,208,262	1,327,093	856,602
Support Services:						
Student Services	452,040	461,319	430,053	485,436	731,119	748,194
Instructional Staff Services	594,405	610,500	568,946	590,959	186,431	183,830
Administration Services	1,202,436	1,167,759	1,072,712	1,153,144	1,090,947	1,081,985
Operation and Maintenance	1,320,289	1,242,155	1,237,471	1,108,029	1,116,373	924,990
Transportation Services	430,439	389,462	421,815	381,856	338,691	302,291
Non-Instructional Programs	-	-	-	-	4,396	1,413
Other / Expenditures:						
Facilities acquisition	7,160,031	6,140,840	747,915	325,530	152,996	2,145,456
Long-Term Debt:						
Principal	285,000	925,000	314,015	303,028	283,028	268,028
Interest and other charges	407,583	393,640	102,058	70,200	85,462	99,893
AEA flowthrough	495,760	466,718	448,147	421,253	419,600	420,910
Total	<u>\$ 21,954,849</u>	<u>\$ 21,034,027</u>	<u>\$ 14,195,521</u>	<u>\$ 13,484,754</u>	<u>\$ 13,263,802</u>	<u>\$ 14,948,910</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<b>Indirect:</b>			
U.S. Department of Agriculture			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 09	\$ 50,440
National School Lunch Program	10.555	FY 09	261,131
Summer Food Service Program	10.559	FY 09	13,771
			<u>325,342</u>
Child & Adult Care Food Program	10.558	FY 09	19,760
U.S. Department of Education			
Iowa Department of Education:			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	FY 09	217,059
ARRA - Title I Grants to Local Educational Agencies	84.389	FY 09	16,133
			<u>233,192</u>
Migrant Education	84.011	FY 09	13,201
Title I Program for Neglected and Delinquent Children	84.013	FY 09	115,475
Career and Technical Education - Basic Grants to States	84.048	FY 09	11,852
Tech Prep Education	84.243	FY 09	2,300
State Program Improvement Grant	84.323	FY 09	1,850
Title III English Language Acquisition State Grants	84.365	FY 09	6,265
Improving Teacher Quality State Grants	84.367	FY 09	61,554
Grants for State Assessments and Related Activities	84.369	FY 09	8,535
ARRA - State Fiscal Stabilization Fund-Education State Grants	84.394	FY 09	113,748
Area Education Agency:			
Special Education - Grants to States	84.027	FY 09	78,300
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Child Care Development Block Grants	93.575	FY 09	21,127
Medical Assistance Program	93.778	FY 09	18,038
Total Indirect			<u>\$ 1,030,539</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Estherville Lincoln Central Community School District and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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**Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

To the Board of Education of the  
Estherville Lincoln Central Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Estherville Lincoln Central Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 4, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Estherville Lincoln Central Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Estherville Lincoln Central Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Estherville Lincoln Central Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Estherville Lincoln Central Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Estherville Lincoln Central Community School District's financial statements that is more than inconsequential will not be prevented or detected by Estherville Lincoln Central Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 09-II-A and 09-II-B to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Estherville Lincoln Central Community School District's internal control

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Estherville Lincoln Central Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Estherville Lincoln Central Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Estherville Lincoln Central Community School District's responses, and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Estherville Lincoln Central Community School District and other parties to whom Estherville Lincoln Central Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Estherville Lincoln Central Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Spencer, Iowa  
March 4, 2010

*Williams & Company, P.C.*  
Certified Public Accountants

**Independent Auditors' Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

To the Board of Education of the  
Estherville Lincoln Central Community School District:

**Compliance**

We have audited the compliance of Estherville Lincoln Central Community School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Estherville Lincoln Central Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs are the responsibility of Estherville Lincoln Central Community School District's management. Our responsibility is to express an opinion on Estherville Lincoln Central Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Estherville Lincoln Central Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Estherville Lincoln Central Community School District's compliance with those requirements.

In our opinion, Estherville Lincoln Central Community School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 09-III-A.

**Internal Control Over Compliance**

The management of Estherville Lincoln Central Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Estherville Lincoln Central Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance in accordance. Accordingly, we do not express an

opinion on the effectiveness of Estherville Lincoln Central Community School District's internal control over compliance. Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined below.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 09-III-A, 09-III-B and 09-III-C to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider items 09-III-B, 09-III-C and 09-III-D to be material weaknesses.

Estherville Lincoln Central Community School District's response to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Estherville Lincoln Central Community School District's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Estherville Lincoln Central Community School District and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Williams & Company, P.C.*  
Certified Public Accountants

Spencer, Iowa  
March 4, 2010

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

**PART I – SUMMARY OF INDEPENDENT AUDITOR’S RESULTS**

- (A) An unqualified opinion was issued on the financial statements.
- (B) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (C) The audit did not disclose any non-compliance, which is material to the financial statements.
- (D) Significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements, including material weaknesses.
- (E) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (F) The audit did disclose an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (G) Major programs were as follows:
  - Child Nutrition Cluster
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
    - CFDA Number 10.559 – Summer Food Service Program
  - Title I, Part A Cluster
    - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
    - CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies
- (H) The dollar threshold used to distinguish between Type A and Type B was \$300,000.
- (I) Estherville Lincoln Central Community School District did not qualify as a low-risk auditee.

**PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

**INSTANCES OF NON-COMPLIANCE:** No matters were reported.

**SIGNIFICANT DEFICIENCIES:**

**09-II-A Segregation of Duties**

Observation – During our review of internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District’s financial statements.

Recommendation – We realize with a limited number of personnel, segregation of duties is difficult. However, the District should continue reviewing the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

**PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)**

**09-II-B Financial Reporting**

Observation – During our audit, we identified material and immaterial amounts of receivables, payables, and capital asset additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

**PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**INSTANCES OF NON-COMPLIANCE:**

**CFDA Number 10.553 – School Breakfast Program  
CFDA Number 10.555 – National School Lunch Program  
Federal Award Year – 2009  
Passed through the Iowa Department of Education**

**09-III-A Awarding of Free and Reduced Meals**

Observation – During our review of compliance requirements over the School Breakfast Program and National School Lunch Program, we identified four individuals who were improperly awarded free or reduced meals based upon the information available. The non-compliance was not material to the financial statements.

Recommendation – We recommend that the business office either perform the eligibility calculations for all the free and reduced meal applications or review all the calculations. The District should also develop written policies and procedures related to the application process. We would also recommend additional training for the person in charge of the application process and eligibility determinations.

Response – The District will reevaluate the current procedures and current staff associated with the free and reduced eligibility applications to determine if the procedures and staff are adequate. They will ensure that the individual in charge of the eligibility determinations will receive the proper training.

Conclusion – Response accepted.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

**PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

**SIGNIFICANT DEFICIENCIES:**

**CFDA Number 10.553 – School Breakfast Program  
CFDA Number 10.555 – National School Lunch Program  
CFDA Number 10.559 – Summer Food Service Program  
CFDA Number 84.010 – Title I Grants to Local Educational Agencies  
CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies  
Federal Award Year – 2009  
Passed through the Iowa Department of Education**

**09-III-B Financial Accounting – Segregation of Duties**

Observation – During our review of internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements.

Recommendation – We realize with a limited number of personnel, segregation of duties is difficult. However, the District should continue reviewing the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

**CFDA Number 10.553 – School Breakfast Program  
CFDA Number 10.555 – National School Lunch Program  
Federal Award Year – 2009  
Passed through the Iowa Department of Education**

**09-III-C Income Eligibility Calculations for Free and Reduced Meals**

Observation – During our review of internal control procedures over the School Breakfast Program and National School Lunch Program, we identified four applications where the family income was incorrectly calculated. There was also one application where the original income had been adjusted with no indication of who made the adjustment or why the adjustment was made. We also noted that there was no indication that the applications were reviewed by someone in the business office.

Recommendation – We recommend that the business office either perform the eligibility calculations for all the free and reduced meal applications or review all the calculations. The District should also develop written policies and procedures related to the application process. We would also recommend additional training for the person in charge of the application process and eligibility determinations.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

**PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

Response – The District will reevaluate the current procedures and current staff associated with the free and reduced eligibility applications to determine if the procedures and staff are adequate. They will ensure that the individual in charge of the eligibility determinations will receive the proper training.

Conclusion – Response accepted.

**CFDA Number 10.553 – School Breakfast Program  
CFDA Number 10.555 – National School Lunch Program  
Federal Award Year – 2009  
Passed through the Iowa Department of Education**

**09-III-D Awarding of Free and Reduced Meals**

Observation – During our review of internal control procedures over the School Breakfast Program and National School Lunch Program, we identified four individuals who were improperly awarded free or reduced meals based upon the information available.

Recommendation – We recommend that the business office either perform the eligibility calculations for all the free and reduced meal applications or review all the calculations. The District should also develop written policies and procedures related to the application process. We would also recommend additional training for the person in charge of the application process and eligibility determinations.

Response – The District will reevaluate the current procedures and current staff associated with the free and reduced eligibility applications to determine if the procedures and staff are adequate. They will ensure that the individual in charge of the eligibility determinations will receive the proper training.

Conclusion – Response accepted.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

**PART IV – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING**

09-IV-A: Certified Budget – Disbursements for the year ended June 30, 2009 did not exceed the amended certified budget amounts.

09-IV-B: Questionable Disbursements – No expenditures that did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

09-IV-C: Travel Expense – No expenditures of Estherville Lincoln Central Community School District were for travel expenses of spouses of District officials or employees.

09-IV-D: Business Transactions – Business transactions between the District and the District officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Duane Schnell, Board Member Partial Owner of Jensen Furniture Stores	Blinds	\$ 3,860

In accordance with the Code of Iowa, the above transactions may represent conflict of interest since the total received during the fiscal year is greater than \$2,500. This transaction may represent a conflict of interest and the District should contact legal council for determination.

09-IV-E: Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

09-IV-F: Board Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.

09-IV-G: Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

09-IV-H: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.

09-IV-I: Certified Annual Report – The Certified Annual Report was filed timely with the Department of Education.

09-IV-J: Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

**PART IV – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING (CONTINUED)**

- 09-IV-K Statewide Sales and Service Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provision of chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009 the District's financial activity and other required information for the statewide sales and service tax are as follows:

Beginning Balance		\$	-
Statewide Sales and Services			790,771
Expenditures/Transfers Out:			
Debt Service for School Infrastructure			
General Obligation Debt	250,485		
Revenue Debt	73,669		
			<u>324,154</u>
Ending Balance			<u>\$ 466,617</u>

- 09-IV-L: Deficit Balances – The Management fund had a deficit balance at June 30, 2009.

Recommendation – We recommend that the District should investigate alternatives to significantly reduce and/or eliminate this deficit.

Response – The District is aware of this situation and future property taxes will eliminate this deficit by June 30, 2010.

Conclusion – Response accepted

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2009**

**08-III-A** Segregation of Duties - During our review of internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements.

Recommendation – With a limited number of personnel, segregation of duties is difficult. However, the District should continue reviewing the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Current Status – This finding still exists at June 30, 2009 (See Comment 09-III-A).

**08-III-B** Financial Reporting - During our audit, we identified material amounts of receivables, payables, and capital asset additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the District's financial statements.

Current Status – During our testing we identified no adjusting journal entries related to federal expenditures.

**08-III-C** Eligibility for Free and Reduced Meals - During our review of internal control procedures over the School Breakfast Program and National School Lunch Program, it was found that there is no procedure in place to verify that the software is correctly calculating the eligibility for free and reduced meals. There is also only one staff person in-charge of the free and reduced meals.

Recommendation – We recommend that an additional staff person verify the applications for free and reduced meals.

Current Status – The District designated a second person to be responsible for review of all the free and reduced meal applications effective for the 2008/2009 school year. During our testing we were not able to verify that those reviews were completed, therefore the finding still exists at June 30, 2009 (See Comment 09-III-C).

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS  
JUNE 30, 2009**

Department of Education:

Estherville Lincoln Central Community School District, respectfully submits the following corrective action plan for the year ended June 30, 2009.

The audit was performed by Williams & Company, P.C., P.O. Box 908, Spencer, Iowa, for the fiscal year ended June 30, 2009.

The findings from the June 30, 2009 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

**INSTANCES OF NON-COMPLIANCE:**

09-III-A Awarding of Free and Reduced Meals - School Breakfast Program CFDA #10.553 – National School Lunch Program CFDA #10.555

Observation – During our review of compliance requirements over the School Breakfast Program and National School Lunch Program, we identified four individuals who were improperly awarded free or reduced meals based upon the information available. The non-compliance was not material to the financial statements.

Recommendation – We recommend that the business office either perform the eligibility calculations for all the free and reduced meal applications or review all the calculations. The District should also develop written policies and procedures related to the application process. We would also recommend additional training for the person in charge of the application process and eligibility determinations.

Response – The District will reevaluate the current procedures and current staff associated with the free and reduced eligibility applications to determine if the procedures and staff are adequate. They will ensure that the individual in charge of the eligibility determinations will receive the proper training.

Conclusion – Response accepted

**SIGNIFICANT DEFICIENCIES:**

09-III-B Financial Accounting – Segregation of Duties – School Breakfast Program CFDA #10.553 – National School Lunch Program CFDA #10.555 – Summer Food Service Program CFDA #10.559 – Title I Grants to Local Educational Agencies CFDA #84.010 – ARRA – Title I Grants to Local Education Agencies CFDA #84.389

Observation – During our review of internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements.

Recommendation – We realize with a limited number of personnel, segregation of duties is difficult. However, the District should continue reviewing the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS (Continued)  
JUNE 30, 2009**

Conclusion – Response accepted.

09-III-C Income Eligibility Calculations for Free and Reduced Meals - School Breakfast Program CFDA #10.553 – National School Lunch Program CFDA #10.555

Observation – During our review of internal control procedures over the School Breakfast Program and National School Lunch Program, we identified five applications where the family income was incorrectly calculated. There was also one application where the original income had been adjusted with no indication of who made the adjustment or why the adjustment was made. We also noted that there was no indication that the applications were reviewed by someone in the business office.

Recommendation – We recommend that the business office either perform the eligibility calculations for all the free and reduced meal applications or review all the calculations. The District should also develop written policies and procedures related to the application process. We would also recommend additional training for the person in charge of the application process and eligibility determinations.

Response – The District will reevaluate the current procedures and current staff associated with the free and reduced eligibility applications to determine if the procedures and staff are adequate. They will ensure that the individual in charge of the eligibility determinations will receive the proper training.

Conclusion – Response accepted.

09-III-D Awarding of Free and Reduced Meals - School Breakfast Program CFDA #10.553 – National School Lunch Program CFDA #10.555

Observation – During our review of internal control procedures over the School Breakfast Program and National School Lunch Program, we identified four individuals who were improperly awarded free or reduced meals based upon the information available.

Recommendation – We recommend that the business office either perform the eligibility calculations for all the free and reduced meal applications or review all the calculations. The District should also develop written policies and procedures related to the application process. We would also recommend additional training for the person in charge of the application process and eligibility determinations.

Response – The District will reevaluate the current procedures and current staff associated with the free and reduced eligibility applications to determine if the procedures and staff are adequate. They will ensure that the individual in charge of the eligibility determinations will receive the proper training.

Conclusion – Response accepted.



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS (Continued)  
JUNE 30, 2009**

If the Department of Education has questions regarding this plan, please call Richard Magnuson at 712-362-2692.

Sincerely yours,

ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

A handwritten signature in black ink, appearing to read "R. Magnuson".

Richard Magnuson, Superintendent